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Report Highlights:

The coffee industry in Indonesia is struggling with simultaneous over-production domestically and globally which has driven down world prices to untenable levels. FAS/Jakarta forecasts that MY02 production will decline to 6,280 thousand bags, down from 6,495 thousand bags in MY01. Exports, too, are on the decline due to competition from other low-priced suppliers, namely Vietnam. MY02 exports are expected to fall to 5,080 thousand bags from 5,335 thousand bags in MY01. Despite the sincere effort of the Indonesian coffee association to join the ACPC coffee retention scheme, Indonesia's severe fiscal situation makes it impossible to follow through on the agreement. Recently, Indonesia has proposed that the ACPC adopt a quota system, instead.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK

Production

Indonesian coffee production is poised for another drop in MY02. According to the Indonesian Coffee Association (Asosiasi Exportir Kopi Indonesia = AEKI) and other sources, total production could decline for MY02 as much as 20 percent in the calendar year 2001 season. FAS/Jakarta takes a more cautious approach and forecasts a 3 percent decline to 6,280 thousand 60 kg bags (tbags). The decline is due in large part to low yields from farms where farmers are using lax management techniques because they find that the market price is not high enough to warrant special care of the crop. This follows two poor seasons in which total production dropped significantly from previous estimates. The MY00 production estimate (see ID0053) has been lowered 510 tbags to 6,660 tbags based on recent data from AEKI. Then, in MY01, excessive rain during the blooming period in major producing areas in the southern part of Sumatera, i.e., Lampung, South Sumatera and Bengkulu, resulted in lower production of roughly 6,495 tbags.

In general, coffee production in Indonesia is suffering due to low market prices. Around 90 percent of the coffee area in Indonesia is managed by smallholder farmers who own only 1 to 2 hectares and are very sensitive to price changes. With world coffee prices currently recorded at the lowest in 30 years – around US$571/ton for Robusta and US$ 66.40/lbs for Arabica – coffee farming has become a losing business for some farmers. As a result, many discouraged farmers are either skimping on fertilizer and other management activities or holding back on harvesting altogether. Area planted also declined slightly in MY01 to 1.15 mha and remains at that level in MY02. Yields are estimated at around 422 kilogram/ha in MY02 down from 438 kilogram/ha in MY01, roughly on par with MY00. Note: MY00 beginning stocks have been revised upward to 486 mbags, and data for MY99 has been changed to reflect higher imports of 370 tbags based on data from AEKI.

Arabica production remains relatively stable at around 7 percent of total production. Despite the fact that Arabica earns higher prices in the market, expanded production remains limited by climate (in Indonesia only high elevations of around 1,000 meters above sea level are suitable for Arabica coffee growing). Arabica is also a more capital intensive crop. Thus, Arabica areas remains around 10 percent of total coffee area. Yield hovers between 0.5 to 0.6 mt/ha versus Robusta yield of 0.4 mt/ha.

Consumption and Prices

Total domestic consumption declined during and after the economic crisis which began in 1997, hitting the lowest level in 1999. Thus, MY00 consumption has been revised downward to 1,435 tbags. An increase of 3.5 percent is estimated for MY01 to1,485 tbags and is expected to remain stable in MY02.

There have been no significant developments in coffee processing (roasting and grinding). Canned beverages and instant coffees are produced by several companies including Nestle, Sari Incofood, Torabica, and Aneka Coffee Industry.

Indonesian coffee prices have declined in line with world prices. Indonesian export prices have declined from an average of US$ 700/mt in January 2001 to US$ 670/mt in March 2001. As of April 25, 2001 the basic market price of Indonesian (Lampung) Robusta coffee in the Asian market ranges from US$ 400 to US$ 420/mt. The price for Arabica coffee (from Java) currently ranges from Rp. 15,000 to Rp. 15,400/kg or US$ 1,284 to US$ 1,319/mt at the current exchange rate (Rp. 11,675/US$1 in April). The average farmgate price of Robusta coffee in the local market declined from US$ 0.55/kg in January to US$ 0.53/kg in March 2001.

Stocks

Ending stock levels rose in MY00 to 197 tbags due to higher beginning stocks (imports and ending stocks in MY99 have been revised upward), somewhat lower exports and consumption. MY01 and MY02 ending stocks remain slightly above normal do to lower consumption and exports. MY01 ending stocks are estimated at 128 tbags and MY02 ending stocks are forecast at 148 tbags. Higher stocks do not reflect implementation of the ACPC retention scheme but rather lower consumption, and that traders have been holding back on exports in hopes for a reversal in prices in their favor. In fact, Indonesia had made an effort in late 2000 to begin retaining coffee beans under the ACPC plan, but was unable to follow through due to lack of financial support from the Government of Indonesia (for more please refer to the Policy section of this report).

Trade

In the face of financial difficulties posed by low world prices, the depreciation of the rupiah has helped maintain Indonesian exports. Coffee remains one of Indonesia’s major export commodities, contributing almost 16 percent of total annual agricultural product revenue in 1999. During January-August, 2000 the revenue generated by coffee exports was US$ 229.3 million or 13 percent of total exports of agricultural products.

Based on updated government trade data and the general downturn in coffee exports worldwide due to large volumes available from various countries, FAS/Jakarta revised MY01 total exports down to 5,335 tbags (equivalent to 320,100 tons), around 6 percent lower than total export volume in MY00. The forecast for MY02 is for another fall in exports, to 5,080 tbags as the global supply and demand situation shows little signs of improvement.

Exports of green (unroasted) coffee during CY00 reached 5.6 million bags. Indonesia’s major export destinations during the period were Japan (19%), Germany (14%), the United States (10%), and Poland (7%). Total roasted coffee exports during CY00 reached 31,000 bags (equivalent to 1,886 mt), a decrease of 9 percent from 34,000 bags in CY99. Exports of green (unroasted) coffee during the first three quarters of MY01 (April-December, 2000) were 294,796 mt, or around 5.0 million bags.

During CY00 total coffee imports were 199 thousand bags, a substantial increase from CY99 imports of 49 thousand bags. Major sources of imports during CY00 were Vietnam (52%), Laos (14%) and Thailand which supplied around 6% of total imports. FAS/Jakarta forecasts total coffee imports - mainly Robusta - in MY01 will increase significantly by 79 percent to 256,000 bags fulfilling the demand from processors for blending and making up for production shortfalls. The average green coffee import price during 2000 was recorded at US$ 932/mt (cif) while roasted coffee was imported at an average of US$ 1,050/mt (cif).

Trade Policy

ACPC: Coffee Retention Plan

As one of the largest coffee (Robusta) producers, Indonesia has serious concerns about declining world coffee prices. As a member of the ACPC, Indonesia has supported from the beginning the retention scheme announced in 2000. Initially, the industry itself withheld beans from the market in anticipation of financial intervention by the GOI which would eventually support stocks already held and additional retention. Unfortunately, the GOI was unable to fulfill its intention to financially support the ACPC coffee retention scheme. With an average annual export volume of 300,000 mt or 5 million 60 kg bags, the total cost of coffee retention for Indonesia is estimated around US$ 80 to US$ 100 million. The GOI currently faces a budget deficit of as much as 3 to 4 percent of CY00 GDP. This and other fiscal constraints has rendered GOI support untenable. For the industry, self-financing the scheme is also economically impossible. Smallholder farmers simply must sell or else diversify into other crops.

As a result, Indonesia is looking for an alternate mechanism ACPC could use to prop up world prices. In the process, Indonesia's AEKI has studied the 20 percent retention scheme and now declares that even a 20 percent retention would be sufficient to increase world prices because global oversupply is as high as 40 percent. The proposal which Indonesia will present at the next ACPC meeting on May 17 is for a global quota system. Presumably, each producing country would be subject to a production quota based on their average annual production. Other ACPC members have been silent so far on this proposal. What seems to be lacking so far is, again, how to finance the plan and how farmers would be compensated under this plan for keeping area out of production.

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1.a. Production, Supply and Demand: Coffee, Green

PSD Table						
Country:	Indonesia					
Commodity:	Coffee, Green			Unit: 1000 of 60 Kg Bags		
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Area Planted	1160	1160	1160	1150	0	1150
Area Harvested	900	900	900	891	0	891
Bearing Trees	1300	1300	1310	1310	0	1310
Non-Bearing Trees	220	220	210	210	0	210
TOTAL Tree Population	1520	1520	1520	1520	0	1520
Beginning Stocks	141	486	117	197	132	128
Arabica Production	475	460	490	455	0	480
Robusta Production	6695	6200	6810	6040	0	5800
Other Production	0	0	0	0	0	0
TOTAL Production	7170	6660	7300	6495	0	6280
Bean Imports	143	143	50	250	0	300
Roast & Ground Imports	0	0	5	6	0	5
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	143	143	55	256	0	305
TOTAL SUPPLY	7454	7289	7472	6948	132	6713
Bean Exports	5625	5625	5600	5300	0	5050
Roast & Ground Exports	32	32	50	35	0	30
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	5657	5657	5650	5335	0	5080
Rst,Ground Dom. Consum	1645	1400	1650	1450	0	1450
Soluble Dom. Consum.	35	35	40	35	0	35
TOTAL Dom. Consumption	1680	1435	1690	1485	0	1485
Ending Stocks	117	197	132	128	0	148
TOTAL DISTRIBUTION	7454	7289	7472	6948	0	6713

Note: "Old" column is FAS/Washington data. For FAS/Jakarta's previous PS&D see ID0024.

Table 1.b. Production, Supply and Demand: Coffee, Green MY1999 (Revised)

PSD Table		
Country:	Indonesia	
Commodity:	Coffee, Green	
		1999
	Old	New
Market Year Begin		04/1998
Area Planted	1160	1160
Area Harvested	900	900
Bearing Trees	1300	1300
Non-Bearing Trees	220	220
TOTAL Tree Population	1520	1520
Beginning Stocks	804	804
Arabica Production	485	485
Robusta Production	6465	6465
Other Production	0	0
TOTAL Production	6950	6950
Bean Imports	24	369
Roast & Ground Imports	1	1
Soluble Imports	0	0
TOTAL Imports	25	370
TOTAL SUPPLY	7779	8124
Bean Exports	6019	6019
Roast & Ground Exports	19	19
Soluble Exports	0	0
TOTAL Exports	6038	6038
Rst,Ground Dom. Consum	1565	1565
Soluble Dom. Consum.	35	35
TOTAL Dom. Consumption	1600	1600
Ending Stocks	141	486
TOTAL DISTRIBUTION	7779	8124

Note: Unit: 1,000 of 60 Kilogram Bags.

Table 2: Indonesia: Quality Composition of Exported Coffee
(Combined Robusta and Arabica)

Coffee Year (October-September)	% High Grades (1& 2)	% Medium Grades (3 & 4)	% Low Grades (5 & 6)
1994/1995	13.42	70.82	15.76
1995/1996	9.45	78.15	12.40
1996/1997	11.56	70.47	17.97
1997/1998	11.35	71.65	17.00
1998/1999	14.19	70.18	15.63
1999/2000	14.44	68.52	17.04
2000/2001 *	20.14	68.59	11.27

Source: Indonesian Coffee Exporters Association
(AEKI: Asosiasi Ekportir Kopi Indonesia), Jakarta, April 2001.
Note: Percentage calculated by weight, combined dry and wet processed.
* Preliminary data (October 00 - February 01).

Table 3: Robusta Bean Prices

The Development of Robusta Bean Prices						
Month	S. Sumatera (Rp./Kg)	Lampung (Rp./Kg)	E. Java (Rp./Kg)	Average Farmgate		Avg. FOB (US$/Kg)
				(Rp./Kg)	(US$/Kg)	
1999						
Sep	6,920	7,137	8,250	7,436	0.87	1.22
Oct	6,385	6,139	7,813	6,779	0.98	1.25
Nov	6,738	6,431	7,563	6,911	0.92	1.34
Dec	6,762	6,382	8,300	7,148	1.00	1.47
2000						
Jan	6,369	6,031	10,425	7,608	1.03	1.42
Feb	5,630	5,233	7,375	6,079	0.81	1.23
Mar	4,998	4,874	5,250	5,041	0.66	1.09
Apr	4,856	4,603	5,750	5,070	0.63	1.03
May	5,061	4,889	6,350	5,433	0.62	1.02
Jun	4,430	4,448	6,200	5,026	0.57	0.95
Jul	4,213	4,373	6,325	4,970	0.55	0.91
Aug	4,071	4,170	5,480	4,574	0.55	0.87
Sep	4,237	4,218	5,525	4,660	0.53	0.86
Oct	3,923	4,129	5,225	4,426	0.47	0.82
Nov	n/a	n/a	n/a	n/a	n/a	n/a
Dec	3,356	3,281	4,875	3,837	0.40	0.70
2001						
Jan	3,457	3,525	5,250	4,077	0.55	0.70
Feb	3,491	3,387	5,250	4,043	0.54	0.70
Mar	3,570	3,416	5,175	4,054	0.53	0.67

Notes: Prices at provinces are farmgate robusta prices (kopi asalan). The average farmgate prices in US$ are calculated by FAS/Jakarta from the exchange rate of each month. The FOB value in US$ is calculated by FAS/Jakarta based on the average FOB prices occured in South Sumatera, Lampung and East Java.

Source: AEKI (Indonesian Coffee Exporters Association), Jakarta, April 2001.

Table 4.a.: Coffee (Green) Export - Calendar Year (Jan-Dec) 2000

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Jan-Dec			Jan-Dec
Exports for	1999			2000
U.S.	610		U.S.	553
Others			Others	
Japan	1,116		Japan	1,090
Germany	838		Germany	794
Poland	449		Poland	410
Italy	328		Italy	324
Rep. of Korea	289		Philippines	225
Singapore	232		Singapore	206
Bulgaria	202		Bulgaria	199
South Africa	201		South Africa	193
United Kingdom	200		Rep. of Korea	192
Malaysia	157		United Kingdom	185
Total for Others	4,012		Total for Others	3,818
Others not listed	1,229		Others not listed	1,253
Grand Total	5,851		Grand Total	5,624

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 4.b.: Coffee (Green) Export - Marketing Year 1999/2000 (Apr-Dec)

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Apr-Dec			Apr-Dec
Exports for	1999			2000
U.S.	500		U.S.	457
Others			Others	
Japan	931		Japan	863
Germany	721		Germany	730
Poland	372		Poland	367
Italy	285		Italy	290
Rep. of Korea	255		Philippines	225
Singapore	185		Rep. of Korea	190
Bulgaria	181		Bulgaria	179
South Africa	161		United Kingdom	176
United Kingdom	145		Singapore	173
Malaysia	131		South Africa	169
Total for Others	3367		Total for Others	3362
Others not listed	1048		Others not listed	1094
Grand Total	4915		Grand Total	4913

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 5.a.: Coffee (Roasted) Export - Calendar Year (Jan-Dec) 2000

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Jan-Dec			Jan-Dec
Exports for:	1999			2000
U.S.	0		U.S.	0
Others			Others	
Japan	10		Japan	9
Singapore	10		Singapore	5
Poland	5		Taiwan	5
Malaysia	4		Malaysia	5
Taiwan	4		Poland	2
			Vietnam	1
			Saudi Arabia	1
			India	1
Total for Others	33		Total for Others	29
Others not listed	1		Others not listed	2
Grand Total	34		Grand Total	31

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 5.b.: Coffee (Roasted) Export - Marketing Year 1999/2000 (Apr-Dec)

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Apr-Dec			Apr-Dec
Exports for:	1999			2000
U.S.	0		U.S.	0
Others			Others	
Japan	8		Japan	8
Singapore	6		Singapore	5
Poland	5		Taiwan	4
Malaysia	3		Malaysia	4
Taiwan	3		Poland	1
			United Kingdom	1
			India	1
Total for Others	25		Total for Others	24
Others not listed	1		Others not listed	1
Grand Total	26		Grand Total	25

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

The following table presents data on the development of total coffee exports from MY1995/96 through MY2000/2001 from the Central Bureau of Statistics (processed by the Association of Indonesian Coffee Exporters or AEKI- Asosiasi Eksportir Kopi Indonesia).

Table 6: Indonesian Coffee Exports
(in Metric Tons)

Months	1995/96	1996/97	1997/98	1998/99	1999/2000*)	2000/2001*)
April	8,666	20,650	25,354	14,401	25,412	18,075
May	16,010	40,151	35,723	14,752	34,940	33,180
June	23,375	36,729	45,429	36,327	32,002	41,720
July	26,619	55,187	39,141	50,975	33,652	41,902
August	28,063	42,964	34,191	49,631	33,562	42,602
September	30,098	43,490	33,263	41,791	30,610	34,687
October	29,109	44,888	28,978	33,256	27,374	29,212
November	33,295	32,092	17,411	20,002	17,715	21,870
December	21,909	28,048	21,766	20,342	14,517	16,185
January	15,959	21,882	14,393	16,394	11,336	11,234
February	12,634	17,398	15,626	17,144	14,329	14,156
March	15,123	24,305	19,105	22,495	14,444	
TOTAL Apr-Mar	245,737	383,479	311,275	315,015	275,449	304,823
in K 60 kg bags	4,096	6,391	5,188	5,250	4,591	5,080

Source: The Ministry of Industry and Trade (MITI), based on the Certificate of Origin Forms (Surat Keterangan Asal or SKA document from the Directorate of Export, MITI). Processed by AEKI, Jakarta, April 2001.
Note: *) preliminary figures.

Table 7: Indonesia's Export and Import of Coffee
(Calendar Year: January - December)

	Export			Import		
Year (Jan-Dec)	Volume Metric Tons	Value US$ (FOB)	Unit Price US$/MT	Volume Metric Tons	Value US$ (CIF)	Unit Price US$/MT
1994	291,198.25	753,718,060.00	2,588.33	945.17	1,545,951.00	1,635.63
1995	231,478.42	613,978,858.00	2,652.42	515.91	1,594,870.00	3,091.37
1996	368,626.22	605,947,870.00	1,643.80	458.84	1,084,105.00	2,362.71
1997	316,230.99	529,670,514.00	1,674.95	10,332.13	14,321,189.00	1,386.08
1998	363,015.25	615,778,524.00	1,696.29	3,045.11	4,498,265.00	1,477.21
1999	358,018.25	488,759,506.00	1,365.18	3,045.07	3,778,983.00	1,241.02
2000	345,625.03	339,876,257.00	983.37	3,778.98	12,139,064.00	3,212.26

Source: Trade by SITC, Central Statistics Agency (BPS-Badan Pusat Statistik), Indonesia,
Processed by FAS/Jakarta.

Table 8. Exchange Rate

Exchange Rate (Rp./1US$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8290	8780	9395	9530	9595
2001	9450	9835	10400	11675								

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.
Note: - April 2001 exchange rate is quoted for April 30, 2001.
- BPS data available up to July 2000.

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